

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE12 AUGUST 2021Report by Chief AuditorPUBLIC SECTOR INTERNAL AUDIT STANDARDS INTERNAL SELF ASSESSMENT**PURPOSE OF REPORT**

1. The purpose of this report is to advise members of progress in relation to compliance with the Public Sector Internal Audit Standards (PSIAS).

BACKGROUND

2. The Public Sector Internal Audit Standards came into force on 1 April 2013 and includes a requirement that the Head of Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) to enable the internal audit activity to be assessed against the PSIAS. CIPFA recommends that in order to undertake a self-assessment, the recommended checklist for assessing conformance included within the application note to the PSIAS is used which contains 339 criteria. Additionally, there is a requirement for an external assessment to be carried out at least once every 5 years by an independent assessor.

3. For internal auditors in the public sector, compliance with PSIAS is mandatory and any areas of non-conformance should be reported to the Audit and Scrutiny Committee.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

4. The standards require that the QAIP includes both internal and external assessments. The recommendations and actions resulting from these assessments are contained within the QAIP which is included in the appendix. All recommendations from the external assessment which were submitted to the Audit and Scrutiny Committee in June 2018 have now been implemented and have therefore been deleted from the QAIP.

5. The internal assessments must include ongoing monitoring of the internal audit activity and periodic self-assessments. This is achieved as follows:

- review of all internal audit files by the Chief Auditor
- monitoring of internal audit activity by the Audit and Scrutiny Committee through quarterly progress reports and the annual report
- performance measurement framework in place which includes reporting on performance indicators approved by the Audit and Scrutiny Committee, national Director of Finance indicators and Council corporate indicators
- annual review by the Council's external auditors of internal audit activity and feedback on whether they can place reliance on the work carried out by Internal Audit
- feedback via the use of annual customer satisfaction surveys on the work carried out by internal audit

- self-assessments using the recommended checklist are carried out periodically (except for years where there has been an external assessment) and the results submitted to the Audit and Scrutiny Committee.

6. External assessments are required to be carried out at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment or a self-assessment with independent external validation. The last external assessment was carried out in 2018. It was agreed by Audit and Scrutiny Committee in June 2019 that the Council will continue to participate in the reciprocal SLACIAG independent self-assessment process.

SELF ASSESSMENT

7. In August 2014, a report detailing the full results of the first self-assessment of PSIAS was submitted and noted by the Audit and Scrutiny Committee. The self-assessment was carried out by using the recommended checklist which contains four columns to indicate full, partial or non-compliance and non-applicable. The self assessment was repeated again in 2016, 2019, 2020 and 2021. A copy of the latest full self-assessment is available on request but the results are summarised below.

8. The Standards require that the assessment must include an evaluation with regard to the degree of internal audit's compliance. Internal audit's self-assessment indicates that the service is currently fully compliant with 289 (or 95%) of all criteria which are applicable and partially compliant with a further 12 (or 4%).

9. The table below summarises internal audit's self-assessment of conformance against the standards as at July 2021.

Standards	No. of criteria	IA assessment of conformance			
		Yes	Partial	No	N/A
1 Definition of internal audit	3	3			
2 Code of Ethics	13	13			
1000 Purpose, authority and responsibility	23	21	1		1
1100 Independence and objectivity	35	27		1	7
1200 Proficiency and due professional care	21	18			3
1300 Quality assurance and improvement programme	31	29			2
2000 Managing the internal audit activity	47	41	1	1	4
2100 Nature of work	31	28			3
2200 Engagement planning	54	32	10	1	11
2300 Performing the engagement	22	22			
2400 Communicating results	53	50			3
2500 Monitoring progress	4	3			1
2600 Communicating the acceptance of risks	2	2			
Total	339	289	12	3	35
Total excluding non-applicable	304				

Standards	No. of criteria	IA assessment of conformance			
		Yes	Partial	No	N/A
% of total	100%	95%	4%	1%	

10. This shows there has been minimal change in compliance compared to the previous self-assessment submitted to the Audit and Scrutiny Committee as follows:

Standards	No. of criteria	IA assessment of conformance			
		Yes	Partial	No	N/A
Compliance as at August 2014	339	255	27	23	34
Compliance as at Sept 2016	339	269	20	13	37
Compliance as at May 2019	339	286	12	4	37
Compliance as at July 2020	339	289	11	3	36
Compliance as at May 2021	339	289	12	3	35

11. There continue to be few areas of non-compliance and there is limited scope to address these. For example Audit and Scrutiny Committee having the power to appoint the Chief Auditor.

12. The main areas identified as non-applicable relate to:

- Consultancy engagements – internal audit has not undertaken any significant consultancy work in 2020/21 to date or in the years prior to this.

13. The main areas assessed as being partially compliant are in relation to:

- The issues which are routinely considered when planning each audit assignment but are not always formally documented.
- Internal audit does not carry out any non-audit duties or have any operational duties outwith the internal audit function. (This was previously assessed as N/A as it is stated in the Audit Charter that internal auditors will have no operational responsibilities and will not conduct non-audit duties. However during the Covid lockdown period, auditors assisted other services but they will not be involved in auditing those services)

14. On the basis that the self-assessment indicates that the internal audit team are 95% fully compliant with the relevant standards and partially compliant with a further 4%, it is concluded that the internal audit section operates in general compliance with the Public Sector Internal Audit Standards. This result remains consistent with the external assessment which concluded that the internal audit service was fully compliant in 11 out of 13 sections and generally compliant in the remaining two.

RECOMMENDATIONS

15. The Committee is asked to note the outcome of the revised self-assessment.

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.

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QUALITY ASSURANCE IMPROVEMENT PLAN (QAIP) AS AT JULY 2021

Ref	Source (SA – Self Assessment EA – External Assessment)	Finding	Proposed action/recommendation	Progress	Target Date
1	SA 2019	Standard 2430 Use of “Conducted in Conformance with the PSIAS” only if the results of the QAIP support such a statement	Include a statement in all audit reports that the audit has been conducted in conformance with PSIAS.	Implemented Included in all audit reports issued after 1 April 2020 and some prior to this.	N/A
2	SA 2020	Standard 2410 Criteria for Communicating – if assurance is to be provided to other partnership organisations, it should be demonstrated that fundamental responsibility is to the management of the Council.	A statement to reflect this will be included in the Annual Report.	Implemented Comment was first included in the 2019/20 Annual Report	N/A
3	SA 2021	Standard 1000 Purpose Authority and Responsibility Internal audit assisted other services with operational and/or non-audit duties during 2020/21, namely processing of Covid grants.	The Chief Auditor should ensure that auditors involved in processing Covid grants are not involved in auditing this area.	An auditor has already been assigned to carry out the planned audit of covid grants and it is confirmed that they were not involved in the processing of grants previously.	31 March 2022

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